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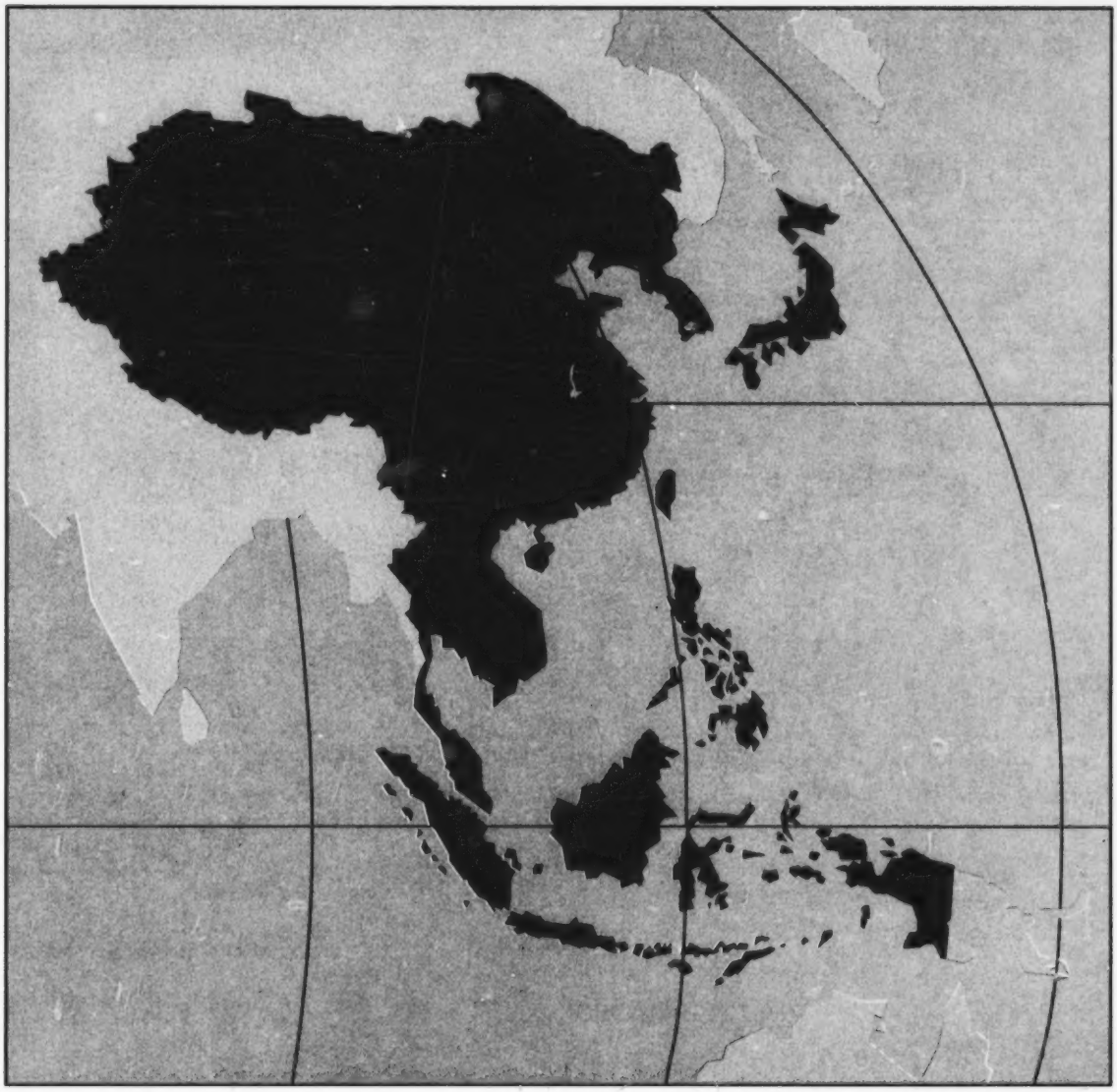

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The **PACIFIC RIM ECONOMIC REVIEW** is a subseries of the Survey Series. The **REVIEW** is published biweekly by East Asia Group and contains a selection of reports on economic topics appearing in foreign newspapers, magazines, and journals, as well as radio, television, press agencies, and data base sources, primarily from the countries of the Pacific Far East. Material is presented alphabetically by geographic area, and then arranged alphabetically by topic where possible. All articles in the **REVIEW** are summaries of original foreign media reports and are presented in two formats: "Feature" articles, which either summarize a lengthy report from a single source or summarize media reports on the same subject appearing in more than one foreign media source; and shorter summaries of news reports, usually from one source.

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15 June 1994

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JAPAN

Auto Industry

Nippondenso To Manufacture Auto Parts in Mexico

Nippondenso Co., a major auto parts manufacturer affiliated with Toyota Motor Corp., is looking to produce automobile parts in Mexico by 1998 and is currently organizing a survey team to determine the timing and location for such a move and what parts to produce. With the passage of NAFTA, a number of Japanese automakers and auto parts makers are taking steps to develop operations in Mexico. Nippondenso, however, is not responding to Japanese firms, but to specific requests made by the U.S. "Big Three" automakers. Consequently, Nippondenso's decision to move beyond the confines of its keiretsu affiliation will likely influence other Japanese parts makers.

Nippondenso sold over 80 billion yen ($762 million) in parts, which includes exports from Japan, to U.S. automakers in FY93. Chrysler Corp., the largest single purchaser, "strongly requested" that Nippondenso set up operations in Mexico. General Motors and Ford Motor also made requests to the company, since they are expanding auto production in Mexico and would like to use parts made locally. Nippondenso currently has seven production bases in the United States, but none supply parts to Mexico.

Once established in Mexico, Nippondenso also expects to sell parts to Japanese automakers, including Nissan Motor Co., which has been assembling cars in Mexico since 1966. Honda Motor Co. recently announced its intention to produce autos in Mexico by the end of 1995. Toyota is also "investigating" whether to begin assembly operations there. (Tokyo NIHON KEIZAI SHIMBUN 2 Jun 94 p 12)

Mitsubishi Group, Reynolds To Market Aluminum Auto Parts in Japan

Mitsubishi Aluminum Co., Mitsubishi Materials Corp., Mitsubishi Corp., and U.S. aluminum maker Reynolds Metals have established an aluminum auto parts sales company in Japan. The new company, M.R. Auto Products, is capitalized at 10 million yen ($95,250), of which Reynolds contributed 30 percent, Mitsubishi Aluminum 50 percent, and Mitsubishi Materials and Mitsubishi Corp. 10 percent each. It will be responsible for selling to Japanese automakers pressed aluminum parts developed by Mitsubishi Aluminum and Reynolds to meet the growing demand for lighter auto parts. The company will market mostly imported parts made by Reynolds, but the joint venture is considering coproduction of more advanced materials such as automobile "space-frames."

The Mitsubishi Group and Reynolds reached an agreement in March 1992 to conduct joint research into pressed aluminum parts with an emphasis on lowering automobile weight. In December 1992 they signed a general contract and have been exchanging technicians ever since.

Due to "rising environmental restrictions," demand for lightweight auto parts is increasing. Consequently, a number of international joint ventures have been formed to capitalize on this trend. In June 1992, Kobe Steel and Alcoa Corp. established 50/50 joint venture subsidiaries in both Japan and the United States. In May 1993, Furukawa Electric Co., the U.S. firm Kaiser, and Itochu Corp. set up a joint venture sales firm to sell Kaiser's forged products in Japan. (Tokyo NIHON KEIZAI SHIMBUN 1 Jun 94 p 11)

Economic Council To Take Up Foreign Trade Policy Issues

The Economic Council, an advisory organ to the prime minister which has previously focused on domestic economic issues, for the first time in July will begin discussions on foreign trade policy issues concerning the United States and Europe. According to the Economic Planning Agency, which serves as the council's secretariat, the council will study the process of U.S. antidumping actions because of the many trade issues associated with such actions. In addition, the council will examine the tendency of the United States to file antidumping charges "without much thought" and will pinpoint problems related to antidumping determinations made by the U.S. Government. It will then make recommendations to the Japanese Government on how to approach the U.S. Government with requests to change its system and practices. The council will also critically examine European issues related to tariffs and the low labor costs of the poorer countries in Europe. (Tokyo NIHON KEIZAI SHIMBUN 29 May 94 p 3)

Japan's Overseas Direct Investment Up 5.5 Percent in FY93

On 3 June the Ministry of Finance (MOF) announced that Japan's overseas direct investment in FY93 amounted to approximately $36 billion, a 5.5 percent increase from FY92, according to the 4 June NIHON KEIZAI SHIMBUN (NIKKEI). This was the first increase in investment since FY89, when Japan recorded its highest level of investment, $67.5 billion. The MOF attributed the increase to the trend of Japanese manufacturers shifting production bases to Asia because of the appreciation of the yen. The MOF's International Finance Bureau expects this tendency to continue in the future, because production costs in Japan are expected to continue rising.

NIKKEI broke down Japan's overseas direct investment by region as follows:

Asia--Total direct investment in Asia amounted to $6.6 billion, a 3.3 percent increase. Of that total, investment in China and Hong Kong increased 58 percent and 68.4 percent, respectively. Japanese manufacturers invested a total of $1.64 billion in China and Hong Kong, 2.2 times the amount invested in FY92. Direct investment in Thailand and Indonesia decreased.

North America--Investment in North America amounted to $15.3 billion, a 4.9 percent increase. By country, investment in the United States increased 6.6 percent to $14.7 billion, while investment in Canada decreased 25.4 percent to $562 million. According to the MOF, this slow growth tendency will probably continue, since Japanese companies are planning no additional large-scale investment in North America, even though the U.S. economy is recovering.

Europe--Investment in Europe amounted to $7.9 billion, a 12.4 percent increase. This was primarily due to the large increase in investment by financial and insurance companies.

NIKKEI also gave an industry-by-industry breakdown of Japan's overseas direct investment. Investment by the manufacturing industry increased 10.7 percent to $11.1 billion. Within the manufacturing industry, while the food processing and electrical machinery industries greatly increased their overseas direct investment, the chemical and transportation machinery industries reduced theirs. Investment by the nonmanufacturing industry amounted to $24.6 billion, a 3.8 percent increase. Within the service sector, the financial and insurance industries increased their direct investment "by a large margin" in order to reorganize their overseas bases and support

their foreign subsidiaries. Investment by other service industries, however, decreased by 45.7 percent, due primarily to a lack of funds.

The NIKKEI article also reported that foreign direct investment in Japan decreased by 24.6 percent to $3.1 billion. Reasons for the decrease include the relatively high investment costs associated with the yen's appreciation and Japan's slow economic recovery. The KYODO NEWS SERVICE on 3 June reported that a large decrease--77.2 percent--has been noted in foreign investment in the financial and insurance industries.

Financial Issues

FEATURE: Banks Begin Netting Operations With Foreign Banks

"Netting," the practice of offsetting credit and debit balances arising from foreign exchange transactions, is taking hold in Japan, according to press reports. Several Japanese banks have signed agreements with U.S. banks to engage in "bilateral netting," while "multilateral netting" with European banks may occur in the future.

In December 1993, the Federation of Bankers Associations of Japan requested that the Ministry of Finance (MOF) authorize netting, arguing that Japanese banks will be unable to compete internationally with banks that are allowed to net, according to the 24 December NIKKEI KINYU SHIMBUN. Netting can improve a bank's capital-to-asset ratio because assets can be reduced by offsetting them against liabilities while reducing the bank's credit risk, according to the 9 March NIHON KEIZAI SHIMBUN (NIKKEI). In this way netting makes satisfying Bank for International Settlements capital requirements easier. In addition, a change in U.S. accounting law that requires banks to establish formal netting agreements with their netting counterparts led U.S. banks to ask the Japanese to enter into such agreements, according to the 28 December NIKKEI KINYU. If Japanese banks do not sign up with American banks, the 8 December NIKKEI KINYU explained, the U.S. banks would give priority to doing business with European banks, which are allowed to net. This would also contribute to a decline in the competitiveness of Japanese banks internationally and Japan's financial markets overall, the 24 December NIKKEI KINYU reported. Thus, the MOF authorized Japanese banks to enter into netting agreements on a bilateral basis with U.S. banks, according to the 28 December NIKKEI KINYU. The article did not say whether the MOF would authorize agreements with European banks as well.

Netting Agreements Signed with U.S. Banks

The Bank of Tokyo was the first Japanese bank to sign a netting agreement with a U.S. bank when it signed an International Foreign Exchange Masters Agreement (IFEMA) with the Tokyo branch of Citibank, according to the 9 March NIKKEI KINYU. This included a comprehensive agreement whereby the banks would offset all foreign exchange transactions in the event of a default by either party, according to the 9 March NIKKEI. The banks also agreed to calculate the difference on foreign currency exchange transactions on a daily basis using the FXNET computer system (see below).

Mitsubishi Bank signed an IFEMA agreement with Chemical Bank on 22 March, according to the 23 March NIKKEI KINYU. The IFEMA with Chemical Bank allows it to offset

purchases and sales of foreign currency on the Tokyo market in the event one of the counterparties to a transaction defaults. The agreement has a broader scope than the arrangement between the Bank of Tokyo and Citibank, NIKKEI KINYU observed, in that it applies to foreign exchange transactions at Mitsubishi's foreign branches as well.

At the end of March, the Industrial Bank of Japan also concluded an agreement with Citibank, according to the 14 April NIKKEI KINYU.

The 27 May NIKKEI KINYU reported that these three banks are also participating in FXNET in London. FXNET, headquartered in London with an office in Japan, is a global computer network conducting foreign exchange netting operations that was established by major U.S. and European banks. The article reported that the Bank of Tokyo is already engaging in foreign exchange netting with Citibank through FXNET in London, while Mitsubishi Bank and the Industrial Bank of Japan plan to participate as well. FXNET has 50 participating banks worldwide and offers banks a chance to increase efficiency by reducing long-term costs by automating their foreign exchange operations, the article reported.

Europeans Approach Japanese Banks

Recently Japanese banks have been approached by members of Exchange Clearing House Ltd. (ECHO) to participate in a system of "multilateral netting"--simultaneous netting conducted through a clearinghouse, rather than directly between two banks--that can involve more than two currencies, according to the 5 April NIKKEI KINYU. ECHO, the world's first global clearinghouse for foreign exchange established by thirteen major European banks and the Hongkong and Shanghai Banking Corp., is scheduled to begin multilateral netting operations in July 1994. Participation in ECHO requires very little additional investment by banks, aside from a security deposit, because SWIFT (Society for Worldwide Interbank Financial Telecommunications), the inter-bank communication system ECHO employs, is already used globally.

Seeing a strong demand for yen in the multilateral netting system, ECHO members visited Japan and sounded out the Bank of Tokyo and other Japanese banks on whether they wished to participate in the clearinghouse system. They even explained the SWIFT system to the MOF and Bank of Japan. The NIKKEI KINYU article stated that the banks are taking a "wait and see" approach to ECHO for several reasons. Multilateral netting is relatively complicated compared to bilateral netting and the banks have already started signing bilateral netting agreements with U.S. banks. The article observed that European banks hold the lead in this type of netting and hence the ambivalent response by the Japanese. Nevertheless, there will be a future need for a global netting system that includes Japanese banks.

According to the 7 May NIKKEI, Fuji Bank has decided to participate in ECHO. Fuji will make a capital contribution to the netting clearinghouse in July 1994 and will begin multilateral netting transactions early in 1995. According to the NIKKEI article, Fuji Bank will be the first Japanese bank to settle foreign exchange transactions with several foreign banks simultaneously.

Foreign Securities Firms To Underwrite Government-Backed Bonds

The Finance Corporation for Local Public Enterprise (Finance Corp.), which is overseen by the Ministry of Finance and the Ministry of Home Affairs, is revising the share of underwriting allotted to financial institutions that underwrite public corporation bonds to include foreign securities companies, according to the 6 June NIKKEI KINYU SHIMBUN. Public corporation

bonds are a type of government-backed bond for which payment of interest and principal are guaranteed by the government and are second only to government bonds in terms of credit risk, according to the 12 May NIKKEI KINYU. The Finance Corp. and the Japan Highway Public Corporation are the principal issuers of these bonds. With the money it raises through issuing bonds, the Finance Corp. makes loans to local public authorities and corporations, according to the 6 June NIKKEI KINYU.

According to the 6 June NIKKEI KINYU, in order to promote the salability of the bonds, the Finance Corp. will focus on the sales strength of issuers wher it revises the composition of its underwriters. It is moving to decrease the share allotted to banks from the current 77 percent to 70 percent and increase the share allotted to securities firms from 23 to 30 percent. Regional banks, which have been traditionally weak in selling these bonds, would lose their share to the major commercial and long-term credit banks, while certain securities firms, which have been prohibited from participating, will be allowed to enter the securities underwriting syndicates. Foreign securities firms, along with newly established securities subsidiaries of banks, are to be included in the securities underwriting syndicates for the first time.

The Finance Corp. could institute the new share system as early as its July 1994 issue of the bonds, NIKKEI KINYU reported. Because it is the largest issuer of government-backed bonds, the Finance Corp.'s steps to revise its underwriting system may influence other issuers to do the same.

Foreign Trade and Investment

CENTRAL ASIAN REPUBLICS

Central Asian Economic Committees Launched

The joint economic committees recently established in Japan to promote trade and investment in the Central Asian republics of Kazakhstan, Uzbekistan, Kyrgyzstan, and Turkmenistan, will hold their first meetings in the latter half of 1994, according to the 14 April NIKKAN KOGYO SHIMBUN. The committees were formed in December 1993 as the result of a "government-private sector joint economic mission" sponsored by the Ministry of International Trade and Industry (MITI) to the four republics. According to the 18 March NIKKEI SANGYO SHIMBUN, the four committees, formed by Japan's general trading companies, steel manufacturers, and mining companies, are under the auspices of the "Japan Association for Trade with Russia and Central-Eastern Europe" which is a MITI-designated industry association. The goal of the committees is to strengthen economic ties between Japan and the resource-rich republics, which will receive official development assistance from the Japanese Government.

The biggest of the four committees is the Japan-Kazakhstan Joint Economic Committee chaired by Shinroku Morohashi, chairman of Mitsubishi Corp., who headed the government-private sector mission to Central Asia. It has 32 corporate members. The Japan-Uzbekistan Joint Economic Committee, which has 17 members, is chaired by Naohiko Kumagai, president of Mitsui & Co. The Japan-Kyrgyzstan Joint Economic Committee has 14 members and is chaired by Tomiichi Akiyama, president of Sumitomo Corp. The Japan-Turkmenistan Joint Economic Committee is chaired by Minoru Murofushi, president of Itochu Corp., and has 13 members, according to the 18 March NIKKEI SANGYO.

The first meeting of the Japan-Kazakhstan committee will be held on 9 and 10 June, according to the 14 April NIKKAN KOGYO. In addition to 58 projects that have been proposed within the committee, it will discuss holding a Kazakhstani industrial trade fair and inviting Kazakhstani researchers to Japan to study technology. Trade with Kazakhstan totalled $96 million in 1993, the highest among the Central Asian republics, according to the 18 March NIKKEI SANGYO. The 17 May NIHON KEIZAI SHIMBUN reported that Uzbek President Islam Karimov met with leaders of the Japan-Uzbekistan committee during his recent visit to Japan to request cooperation in modernizing Uzbekistan's communications networks, establishing airport facilities, and developing its gold mining capabilities.

CHINA

Omron To Set Up Cash Register Production Joint Venture

Omron, Japan's leading manufacturer of control components, will establish a joint venture company in Beijing by August to produce electronic cash registers and point-of-sale terminals. The joint venture company, Beijing Gaoteng Business Computer Systems Co. Ltd., will be capitalized at $5 million, with the Omron Group contributing 25 percent, China Great Wall Computer Software and Systems Company 45 percent, Beijing Sitong New Technologies Industry Co. Ltd.--an office equipment sales company--20 percent, and the Qingdao Television Factory 10 percent. Beijing Gaoteng will begin full-scale operations in early 1995 with about 55 workers and will produce 1.1 billion yen ($10.5 million) worth of point-of-sale terminals annually. (Tokyo NIKKEI SANGYO SHIMBUN 13 Jun 94 p 13)

Toray To Build Polyester Production Base in Jiangsu

Toray Industries, Japan's largest manufacturer of synthetic fibers, will invest 50 billion yen ($476 million) to build an integrated polyester production base in China by the end of 1998. The base, to be located on a 1 million-square-meter site in Nantong City, Jiangsu Province, will be developed in two phases. In the first phase a mill will be built by mid-1996 to weave and dye polyester long fibers and polyester short fiber-cotton blends. The polyester will be supplied by Toray's plants in Thailand, Indonesia, and Malaysia. In the second phase the Nantong mill will produce its own polyester fibers and raw cotton.

Toray's goal is for annual sales of about 100 billion yen ($952 million). When the mill reaches full operation, it will produce about as much product as all of Toray's operations in Southeast Asia combined. All production will be sold in China or exported to Europe and America; none will be exported to Japan. (Tokyo ASAHI SHIMBUN 3 Jun 94 p 12)

Taoka Chemical Forms Synthetic Dye Joint Venture in Tianjin

Taoka Chemical Company, an organic chemical manufacturer affiliated with the Sumitomo Group, has established a joint venture company in Tianjin to manufacture synthetic dyes. The new joint venture company, Taoka Chemical Tianjin Co. Ltd., is capitalized at $900,000, with Taoka contributing 31 percent, Tianjin City Dye Chemicals 50 percent, and Sumitomo Corp., 19 percent. Taoka expects the joint venture company to produce about $1.1 million worth of dyes in its first fiscal year, which will be exported to Europe and the United States. Taoka had been contracting the production of synthetic dyes to Tianjin City Dye Chemicals' No. 5 Factory, but decided to form a joint venture company to meet increasing demand. (Tokyo NIKKEI SANGYO SHIMBUN 2 Jun 94 p 14)

KDK To Establish Electrode Foil Production Operations in Guangdong

KDK, one of only two companies in Japan specializing in the manufacture of aluminum electrode foil for capacitors, will invest about 500 million yen ($4.8 million) to establish a plant in Dongguan, Guangdong Province to manufacture electrode foil and a joint venture company in Hong Kong to own and operate it. KDK will build the plant on a 32,500-square-meter industrial site in Dongguan City and equip it with six low-pressure forming machines and a sealing rubber production facility. The plant, Dongguan KDK Aluminum Foil Manufacturing Co. Ltd., is scheduled to begin operations this fall and will have a monthly production capacity of 200 million units.

KDK will also set up a joint venture company, Hong Kong KDK, together with Faston, a Hong Kong firm, to own and operate Dongguan KDK. Hong Kong KDK will be capitalized at HK$8 million ($1 million), with KDK contributing 49 percent and Faston the remainder. (Tokyo NIHON KEIZAI SHIMBUN 1 Jun 94 p 13)

VIETNAM

Itochu-Isuzu Joint Venture To Assemble Small Trucks

Itochu Corp., one of Japan's "big five" general trading companies, and Isuzu Motors, a major manufacturer of trucks and commercial vehicles, have decided to form a joint venture company with Vietnamese partners to assemble small trucks in Ho Chi Minh City. The local partners are "Vietnamese peoples committees and individuals"--which presumably includes the Ho Chi Minh City Government. Negotiations with the Vietnamese partners are at the final stage and a formal joint venture agreement should be concluded by yearend. This will be the first light truck assembly project in Vietnam by a Japanese automaker. The project also marks Itochu's first joint venture in Vietnam.

The scope of the joint venture and its capitalization have not been finalized, but capital investment is expected to be around $20 million, with Itochu and Isuzu contributing 70 percent. Plans are to begin the construction of a Ho Chi Minh City assembly plant in early 1995 for completion by the summer of 1996. Production will begin at a rate of 2,000-3,000 light trucks per year. In the future output will be expanded to three types of vehicles at a level of 5,000 units annually.

Itochu is also planning a joint venture involving passenger car production in Vietnam. In addition, it is eyeing "significant" joint ventures in other sectors of Vietnam's economy "at a pace of four to five each year," so that after 4-5 years it will have 20-30 joint ventures operating there. (Tokyo NIKKAN KOGYO SHIMBUN 27 May 94 p 1)

Construction Companies Open Offices in Hanoi

Nishimatsu Construction, a general contracting company that specializes in large civil engineering projects, will open an office in Hanoi in mid-May, according to the 19 May NIKKEI SANGYO SHIMBUN. Nishimatsu plans to compete for construction contracts in northern Vietnam where the infrastructure is less developed than in the south. It will seek contracts from Japanese companies that are building factories in Vietnam and will compete for infrastructural projects funded by Japanese official development assistance (ODA), such as water and sewer projects and road construction.

Nishimatsu will staff its Hanoi office with two Japanese executives and four Vietnamese employees. The number of local employees will rise as Nishimatsu wins contracts. Working closely with Japanese trading companies, the office will gather information on various construction projects being planned in Vietnam.

NIKKEI SANGYO observed that Japan's largest general construction companies, such as Obayashi and Kajima, have already established offices in Vietnam.

Kumagai Gumi, a large general construction company, also has opened an office in Hanoi, according to the 24 May NIKKEI SANGYO. The company plans to compete for contracts to build infrastructural projects, particularly in northern Vietnam. Its office will be staffed initially by one Japanese officer and two Vietnamese employees. The company aims to win contracts worth 2 to 5 billion yen ($19-48 million) within three to five years, centering on projects financed by Japanese ODA funds.

Kumagai will develop its Vietnam office as a "core site" in strengthening its Southeast Asian operations. The company is examining the establishment of joint ventures in the future to secure construction materials and manpower. For FY94 the company hopes to have contracts in Southeast Asia worth 30 billion yen ($286 million). It plans to increase the growth in contract amounts in Southeast Asia from the current level of 5 percent of its worldwide business to 7 percent.

Glass Industry

MITI Denies Report of Tariff Cuts, Prepares for Glass Talks

The Ministry of International Trade and Industry (MITI) has made plans to unilaterally abolish tariffs on imported sheet glass and will make an offer to this effect at working-level talks with the United States in June, according to the 31 May evening edition of the NIHON KEIZAI SHIMBUN (NIKKEI). Japan's highest tariff on sheet glass, 6.3 percent, is lower than the U.S. maximum rate of 8.8 percent, but according to NIKKEI, MITI's offer to abolish the tariffs is designed to gain U.S. "understanding" of MITI's position on other measures to ensure market access.

However, a 31 May KYODO News Agency report in English said that an unidentified "senior" MITI official denied the NIKKEI story. The official stated that the report is "totally groundless" and "MITI has not heard anything about the reported plan."

The United States is seeking "objective criteria" for measuring the extent of glass imports into the Japanese market, but according to NIKKEI, Japan and the United States will "inevitably" differ over the definition of these criteria. MITI is willing to conduct a survey of wholesalers that are actually trading in imported sheet glass, but NIKKEI stated that the ministry will not agree to U.S. demands for setting a "future number" of imported glass distributors as part of the criteria.

The NIKKEI article also reported that MITI will refuse a U.S. demand that private firms prepare import purchase plans. According to MITI, it would be "too difficult" to make such plans because "most" glass distributors and traders are small and medium-sized firms. Instead, MITI will ask consumers of sheet glass, such as construction companies and sash makers, to

compile procurement "guidelines" that clearly state that they are not bound to trade only within their keiretsu or corporate affiliates. MITI is also considering dispatching a joint public and private group to survey procurement opportunities in the United States.

According to NIKKEI, MITI hopes to reach an agreement with the United States before Super 301 trade provisions come into effect in September. However, depending on how the United States evaluates the Japanese position, the negotiations could be "protracted."

Asahi Glass To Raise Price of Sheet Glass Despite Weak Demand

Asahi Glass Co., Japan's largest integrated glass manufacturer and a member of the Mitsubishi Group, announced that it will raise the price of commercial sheet glass by 7 to 8 percent in July to boost sagging profits, the 27 May NIHON KEIZAI SHIMBUN (NIKKEI) reported. According to the firm's financial statements, Asahi's sales fell nearly 5 percent in FY93 while its unconsolidated operating profits over two years fell more than 68 percent from a FY91 high of 47.768 billion yen ($455 million) to 15.271 billion yen ($145 million) in FY93. NIKKEI stated that Asahi is raising its prices for the first time in more than three years because the firm is "increasingly burdened" by fixed costs and is finding it "difficult" to maintain profitability.

Asahi believes the higher prices will hold because earlier this year it discontinued the practice of "after-the-fact price adjustment," in which it discounted the market price after delivery to distributors. Now, without discounts or rebates from Asahi, distributors and glass traders are responsible for the final market price. According to NIKKEI, this will gradually eliminate the heretofore "extremely" low market prices. Asahi will also begin setting its prices monthly, instead of quarterly, to better respond to market changes.

Asahi also believes its competitive position has improved vis-a-vis companies dealing in imported glass. According to NIKKEI, these firms are having difficulty making a profit, despite the advantage of the high yen. Japan imported about $101.31 million worth of sheet glass in FY93, which totaled 7.7 percent of the domestic market, the 31 May NIKKEI reported. Over half that amount, however, was imported from Japanese production bases overseas.

Nevertheless, it is not certain whether Asahi's price increases will hold, NIKKEI said, since the economic environment is not conducive to price increases. Demand for commercial sheet glass is weak due to the recession in the construction industry, which shows little sign of ending. According to the 28 April NIKKEI, sheet glass shipments fell 7 percent in FY93, due to a collapse in orders for nonresidential construction. Furthermore, general contractors and other glass consumers are taking a harder line on reducing costs and continue to demand price reductions, the 27 May NIKKEI noted. Consequently, the price of standard sheet glass at specialty wholesale stores in Tokyo has fallen over 15 percent the past year. If Asahi's price increases do hold, NIKKEI said, other glassmakers will likely raise their prices as well.

Nonferrous Metals

Showa Denko To Withdraw From Titanium Refining, Sales

Showa Denko, Japan's fourth largest chemical manufacturer, will stop selling titanium sponge, and its titanium refining subsidiary, Showa Titanium, will stop refining titanium this

year because of decreasing demand from the aircraft and defense industries, according to the 25 May NIKKEI SANGYO SHIMBUN. Showa Denko, which began titanium sponge sales in 1982 and recorded annual sales of several billion yen, is expected to incur more than 4 billion yen ($38 million) in extraordinary losses related to this move. Showa Titanium, which has a refinery capable of handling 3,300 tons of titanium annually, will continue manufacturing ceramic products and products made of other alloys.

The 25 May ASAHI SHIMBUN observed that after Showa Denko ends its titanium operations, only two Japanese companies will remain in the titanium refining industry--Toho Titanium and Sumitomo Sitix, formerly Osaka Titanium.

CHINA

Domestic Developments

Survey Shows Shareholding Effective in Reforming Enterprise

In early 1994, several research offices subordinate to the State Council, the Economic and Trade Commission, the Enterprise Management Association, the State Planning Commission, and the Stock Issuing Supervisory Commission conducted a joint survey to investigate results of shareholding implementation. Researchers sent out 1,000 sets of questionnaires to respondents in 371 shareholding enterprises nationwide to elicit facts and opinions.

The survey results are:

1. Public ownership is the mainstay as indicated by the following figures:

Shares owned by the state	33.8%
Shares owned by legal entities	45.2%
Shares owned by individuals	19.4%
Foreign ownership	1.6%

2. Opinion on changes of operational mechanism after enterprises were transformed into shareholding system:

Enterprise made fundamental changes	24.7%
Enterprise made major changes	53.7%
Enterprise made no changes	2.0%

3. Comparison of enterprise yearly performance and workers benefits before and after shareholding:

Labor Productivity	+57.3%
Profits and tax earned by average worker	+85.2%
Profits/sales ratio	+49.2%
Profits/capital ratio	+39.3%
Average worker's salary	+44.0%

4. Priorities: Respondents regard transforming government functions, reforming enterprise property rights, and improving the market system as the three top priorities in enterprise reform.

5. Problem: Government supervisory units and other state units that enterprises must depend upon for the completion of tasks cause the most trouble. Although 75.9 percent of shareholding enterprises are now subordinate to various government organs or rely on other state units for completion of tasks, only 22.5 percent of the respondents consider such subordination necessary. To conclude, the survey indicates transforming government functions is the thorniest task in enterprise reform. (Beijing JINGJI RIBAO 8 May 1994, p 1)

Article Examines Obstacles To Developing Machine-Building Industry

The system of planned investment management does not meet the development needs of the machine-building industry. At present, investment plans are directed only at the domestic

market, investment is scattered, limited investment is not used where it it is needed most, and investment projects are not strongly competitive. In addition, approval procedures for investment projects are tedious and may take one to two years.

An irrational economic managment system creates duplication in construction projects, which causes an imbalance in trade and enterprise distribution and low economic efficiency in China's machine-building industry. For a long time, a divided departmental and regional management system has caused the domestic market to be segmented and irrational protectionism has become more severe every day. Enterprises cannot compete fairly and superior products cannot be developed. The practice of separate budgetary plans for the central and local authorities encourages local governments to focus on increasing financial resources. Thus, local governments invest in projects that will immediately earn money. Little attention, for example, is given to the need to provide spare parts because this kind of enterprise does not immediately generate profits. At present, the level of specialization in spare parts in the machine-building industry is only one third or less of the level in industrially-developed countries.

Enterprise equipment is poor, the ability of enterprises to develop on their own initiative is weak, the replacment of old products with new ones is slow, and labor productivity is low. Of current equipment in the machinery industry, less than 5 percent consists of numerically-controlled, precision, or highly efficient equipment. Less than 2 percent of the enterprises have the ability to develop because the level of automation and use of new technology is low. The time needed to develop new products is three times that of industrially-developed countries. In 1955 labor productivity in Japan's machine-building industry was 2.4 times that of China's, in 1975 it was 8.6 times, and today it is 20 times higher.

The ability to produce high-grade products is insufficient to meet needs even though lower tech products are being overproduced. At present, China overproduces by 30-40 percent low-grade industrial boilers, small machines, machine tools, etc. The production of new technical products does not meet the needs of China's domestic industries, thus leading to a trade deficit of over $10 billion. With the expansion of the world economy and trade, competition among countries and regions has intensified and this will increase the difficulty in exporting China's machine-building products. The machine-building industry cannot ignore the impact of increased imports due to reduced trade barriers after China rejoins the GATT. Although China is beginning to develop new technical products, they are no match for the more technically advanced, higher quality, and large-scale production of imports. Prices and production costs for domestic products are much higher than those for the same products on the international market.

Continued reform and opening up will accelerate development of the machine-building industry. First, reform of the investment system will give enterprises more decisionmaking authority over investment and improve the use of funds. Establishment of an import-export bank will help to expand machine-building exports. Establishment of a development bank will help adjust industrial distribution and promote a rational product mix. Second, reform of the tax system will increase the tax burden on machine-building enterprises, but elimination of separate budgets for central and local authorities will promote the role of markets and support the production of superior products and eliminate inferior ones. Third, reform of the foreign trade system, especially changes in the renminbi foreign exchange rates will help expand machine-building exports. At the same time, the cost of enterprise imports will rise, which will lead enterprises to increase investment in science and technology, accelerate domestic output, and thereby reduce the trade deficit for machine-building products. (Beijing JIDIAN RIBAO 25 May 94 p 2)

Bleak Outlook for Textile Exports in 1994

At present China's textile exports are facing difficulties and the outlook is bleak. Cotton output has declined in the United States, China, and Pakistan, and textile prices have increased on the international market. In China, a decrease in cotton output has led to a severe shortage of raw material. Even while procurement prices have increased, price swings have become pronounced and export enterprises are extremely reluctant to take orders from foreign businessmen due to the uncertainties. As a result, both the foreign exchange earnings and quantity of textile exports have declined.

According to one company, because of the sharp rise in domestic raw material prices, unstable markets, and constant changes in prices, export enterprises cannot offer to fix prices in advance for foreign businessmen and do not dare to take orders. Most contracts being fulfilled now are old ones. The company also reported that foreign businessmen have said that if China does not supply the material, it will go to the Pakistan and India markets. (Shenyang LIAONING JINGJI RIBAO 12 May 94 p 3)

Pudong Plans 100,000-Ton Shipyard

Pudong plans to build a 100,000-ton shipyard in Waigaoqiao, for which the basic engineering work has been completed. The shipyard will be located at the Nangang He section at the mouth of Chang Jiang, 12 km from the mouth of Wusong and 3 km from Gaoqiao town. It will cover an area of 200,000 square meters. With modern shipbuilding and repairing facilities, the shipyard will be able to repair ships for domestic and foreign clients. (Hong Kong ZHONGGUO TONGXUN SHE 0622 0559 GMT 3 Jun 94)

Foreign Trade and Investment

Singapore Investing in International Facilities for Yantai City

The Yantai City People's Government and Tangcheng Holdings Company Limited of Singapore signed an agreement on 14 May to jointly build the Yantai-Singapore international facilities in Yantai. This international city will be located in the eastern part of Yantai City proper, covering 658,888 square meters. The main buildings include an international meeting center and other facilities. Total investment is $200 million. (Jinan DAZHONG RIBAO 15 May 94 p 1)

First Yen-Denominated Floating Rate Notes Issued

The People's Construction Bank of China (PCBC) has unveiled the first yen-denominated, Chinese Euro/Dragon, floating-rate note issue. The seven-year notes are worth 15 billion yen and carry an interest spread of 0.45 points over the six-month yen Libor. The use of Japanese yen is favorable for the PCBC because cheaper funds can be obtained once the notes are swapped for other principal foreign currencies, such as the U.S. dollar. Sales are restricted to investors based in Hong Kong, Japan, Singapore, Britain, and the United States. (Hong Kong HONG KONG STANDARD (FINANCIAL REVIEW) 2 Jun 94 p 5)

Thai Group To Build Industrial Park in Henan's Luohe

The Thai Cathay Group plans to cooperate with Henan's Luohe in building a "Thai city" and a "Thai industrial park." The two projects, which will be located along the Beijing-Shenzhen 107 highway in an area of 9 square km, will involve a total investment of $5 billion. The "Thai city" will include finance and trade companies, offices, management firms, purchasing centers, conference halls, and exhibition centers, as well as commercial buildings, miniatures of world scenic spots, amusement parks, a racecourse, tourism facilities, a 28-story international information center, schools, and hospitals. The "Thai industrial park" will include 500 foreign-funded enterprises. It will include high-tech, food processing, textile and light industries, pollution-free chemical, pharmaceutical, metallurgical, and farm produce processing zones. (Hong Kong TA KUNG PAO 25 May 94 p 21)

Guangdong Trade Delegates Hold Trade Talks in Paris

A Guangdong provincial trade delegation, headed by Yu Fei, vice chairman of the Standing Committee of the Guangdong Provincial People's Congress, met in Paris with about 100 representatives of French trade, entrepreneurial, and financial circles on June 1. Investments totaling $900 million were sought for transport, energy, and infrastructure projects, including ten railway lines with a total length of 2,000 km, 23 express highways, eight large coal-fired power plants, and the province's second nuclear power plant. The 170-member delegation also staged a week-long commodities trade expo in Paris. Products from more than 80 companies were displayed. (Beijing ZHONGGUO XINWEN SHE 1207 GMT 2 Jun 94)

Fujian Signs Contracts for Nine Foreign Projects

A Fujian trade delegation signed contracts for nine foreign-invested projects in Hong Kong yesterday, involving a total investment of $670 million and use of $580 million of foreign capital. The projects include the Fuzhou International Shipping Center, Fuqing Pacific Building Materials, Fuqing Yongsheng Real Estate, and Xiamen Xiangyu Bonded Zone reclamation. Fujian hopes foreign investors will invest in power plants, highways, port construction, and the transformation of state enterprises. (Hong Kong TA KUNG PAO 25 May 94 p 17)

Quanzhou, Fujian Attracts $1 Billion of Foreign Investment

In five days of trade talks held in Hong Kong, Zeng Huabin, vice mayor of Quanzhou, said that the city signed contracts for 450 projects, involving a total investment of $1 billion. The projects, which focus on infrastructure and construction of industrial development zones, include: the Macao Baoshing Group agreement with the Shishi Xinfa Shareholding Company to build a 10,000-ton port, involving a total investment of $20.69 million, with the term of cooperation lasting 50 years; the Hong Kong Nanfang International Trading Company agreement with the Quanzhou Shunde Huashui Hydropower Development Project, involving a total investment of 220 million yuan, with Nanfang International holding 70 percent of the stakes; and the Hong Kong Zhenhua Investment Company's contract with the Quanzhou Jinjiang Power Company to build the Jinjiang Diesel Power Plant, involving an investment of $12 million, including $9.6 million invested by Zhenhua Investment. (Hong Kong ZHONGGUO TONGXUN SHE 1222 GMT 28 May 94)

Fujian's Sanduao Attracts Foreign Investment

There are more than 70 foreign-funded enterprises in Sanduao, Fujian, involving a total investment of 1 billion yuan. Planning for the $5.5 billion petrochemical plant has been

completed. The project has been approved by the Fujian Government and submitted to the State Council for examination. To meet the needs of the project, the city plans to build a 300,000-ton crude oil berth, two 50,000-ton berths for oil products, a 10,000-ton berth for bulk cargo, a 10,000-ton container berth, a 200,000-ton water plant, and a 400,000-kw thermal power plant. To accelerate the development of Sanduao, a development zone has been set up in Chengao. The Shanghai-Guangzhou optical fiber line, which runs through Sanduao, has gone into operation, the surveying and planning for the Fuzhou-Sanduoa railway has been completed, and construction of a 20-km highway has started. The city also plans to establish 2,000 programmed telephone lines. (Hong Kong ZHONGGUO TONGXUN SHE 1031 GMT 31 May 94)

Shantou Cooperates With Singapore in Building Rolling Mill

Shantou's Hongxing International Corporation signed a contract with Singapore's Donggang Steel Company Limited to jointly invest $20 million to build a steel rolling mill in Shantou. The mill, to be located in the Longhu district, will use new South Korean and Taiwanese technology. The main products include various types of special-shaped hollow and solid steel. The mill will turn out 100,000 tons by the end of 1995 and 250,000 tons in 1996, with annual output value of 1 billion yuan. (Beijing ZHONGGUO XINWEN SHE 1404 GMT 25 May 94)

Pudong Processing Zone Attracts High-Tech Multinational Corporations

Multinational corporations from 18 countries have invested in the Jinqiao Export Processing Zone in Pudong, mainly in high-technology industries, including computers, telecommunications, lasers, and biological technology. Nearly a third of some 200 projects registered are now in production. For example, Bell of Belgium and Siemens of Germany have set up a joint venture which should boost the city's telecommunications industry. (Beijing CHINA DAILY (BUSINESS WEEKLY) 5-11 Jun 94 p 4)

Dalian Seeks 2 Billion Yuan for Dalian-Yantai Railway Ferry

The central government attaches great importance to the building of the Bohai Bay transportation network. Zhu Rongji and Zou Jiahua have given their consent to the plan. The Dalian-Yantai railway ferry, an important link in the network, will require an investment of over 2 billion yuan. As Liaoning and Shandong lack funds, they will try to attract capital through various channels. A Dalian official said that foreign investment in the huge project is welcome. (Hong Kong TA KUNG PAO 27 May 94 p 21)

Jiangxi Sets Up Investment Zone for Taiwan Businesses

A state-level investment zone for Taiwan businesses was set up in Jiangxi's Gongqingcheng. On 30 April, Wang Zhaoguo, director of the State Council's Taiwan Affairs Office, came to Gongqingcheng to inspect the investment zone. Gongqingcheng is located in the middle of the Nanchang-Jiujiang industrial corridor and is endowed with a favorable natural, social, and economic environment. As Taiwan investment in the mainland now extends into interior areas, the Gongqingcheng investment zone provides a very good opportunity that should not be missed. (Hong Kong TA KUNG PAO 31 May 94 p 7)

Yunnan Seeks Foreign Partners To Build Kunming-Bangkok Railway

To increase Yunnan's contacts with the outside world, a Yunnan official said that the province is determined to build a transnational railway from Kunming to Bangkok, which would run

through Laos and Burma. The Yunnan section of the railway will require an investment of at least $700 million. The proposal has been submitted to the State Council and State Planning Commission for approval. The province is accelerating efforts to prepare a feasibility study. Thailand's prime minister led an industrial and commercial delegation to China earlier this year and spoke highly of the project. (Hong Kong TA KUNG PAO 26 May 94 p 27)

Xinjiang Airlines To Open International Routes

In June this year, Xinjiang Airlines will open three new international routes: Tianjin-Urumqi-New Siberia-Moscow, Urumqi-Islamabad, and Urumqi-Chongqing-Hong Kong. Zhang Ruipu, general manager of Xinjiang Airlines, said these routes fit in with Xinjiang's strategy of linking its economy with the outside world. (Beijing GUANGMING RIBAO 21 May 94 p 4)

Hong Kong's CITIC Real Estate Investment in Fuzhou

CITIC Hong Kong and the Shenzhen Yueye Company have signed an agreement on a $137 million real estate joint venture in Yuefang and Quanzhou in Fuzhou. This is one of 481 foreign investment projects entailing total investment of $3.5 billion obtained so far by delegations attending "China Trade and Investment '94," which was held recently in Hong Kong. Other deals worth over $100 million are for the construction of the Fuzhou International Maritime Entrepot Center, an industrial project in Xiamen involving Singapore's Huiya Investment Group, and a glass factory joint venture involving Hong Kong's Pacific Group and Zhangzhou City. Of the 481 deals, 324 involved investors from Hong Kong and Taiwan. (Hong Kong TA KUNG PAO 27 May 94 p 17)

Hong Kong Company Involved in Fujian Infrastructure Development

According to Yu Shao-Ki, general manager of the construction firm Chung Fuk, the company is involved in a number of infrastructure projects on the mainland, including a hydroelectric plant joint venture with the Ministry of Water Resources and Fujian Province on the Muyangxi River involving a total investment of 2.1 billion yuan; and the 42-km Zhangzhou-Xiamen Highway, in cooperation with the Bank of China Group and China Merchants Steam Navigation with a total investment of 1.4 billion yuan. The firm's other projects are a 100 million yuan investment in the Xiangzhi Port District in Guangdong's Quanzhou City, which consists of two multipurpose wharves with a total annual capacity 800,000 tons, roads, warehouses, and new towns, and a share in the construction of the 380 million yuan Suzhou-Shanghai airport expressway. (Hong Kong ZHONGGUO TONGXUN SHE 1248 GMT 30 May 94)

Some 100,000 Hong Kong Firms Said Operating in Mainland China

Dong Shuikui, deputy director of the State General Administration of Taxation, said that Hong Kong firms rank first in terms of total foreign investment in China. Hong Kong accounts for more than 100,000 of the approximately 170,000 foreign firms operating on the mainland. (Hong Kong ZHONGGUO TONGXUN SHE 1031 GMT 31 May 94)

Hong Kong's Shougang Concord Acquires 51 Percent of Hebei Plate Mill

Shougang Concord International is buying a 51 percent stake in the Qinhuangdao Shougang Plate Mill in Hebei province from its parent, Shougang Holdings, for 535.9 million yuan in cash and shares. The Hebei mill began production in March last year and has an annual capacity of 350,000 tons of steel plates and 200,000 tons of coiled steel sheets. Shougang Concord said it intends to expand the mill's capacity. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 3 June 94 p 3)

Hong Kong Economic Interaction With Mainland Viewed

Hong Kong's external trade grew 7 percent to HK$91.44 billion over the same period last year. Economists did not blame the slowing mainland economy but instead said that Hong Kong could not be expected to sustain the rapid growth seen in recent years. They also said slower growth was inevitable given the larger export base. Reexports grew 10 percent to 74.82 billion, while domestic exports fell 6.7 percent to $16.62 billion. Hongkong Bank economist Jim Wong pointed to China's trade figures for April which showed that the mainland's imports grew by 25.3 percent while exports increased by 29.6 percent. Wong said that the purported growth in China's foreign trade did not correspond with the slowdown in Hong Kong's reexports. Wong said China's trade performance in April suggested the slowdown could be due to a downturn in other markets. On an aggregate basis, in the first four months, exports grew 8.1 percent to HK$333.43 billion, reexports grew 12.5 percent to HK$272.07 billion, and domestic exports fell 7.8 percent to $61.35 billion. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 28 May 94 p 1)

Taiwan

Restrictions on Fruit Imports Lifted, Tariffs Cut

The Council of Agriculture of the Executive Yuan decided to abolish restrictions on importing apples and 15 other kinds of fruits from specific regions ahead of schedule. It also decided to further reduce tariffs on farm produce to prevent the issue of open agricultural markets from adversely affecting Taiwan's effort to join GATT by the end of the year. (Taipei CHING-CHI JIH-PAO 23 May 94 p 1)

Exports Up 1.5 Percent, Imports 2.2 Percent in Second Quarter

Based on a survey on import and export intentions, the Directorate General of Budget, Accounting, and Statistics under the Executive Yuan noted that because of declining export competitiveness, the total value of exports for the second quarter of this year is estimated at $22.24 billion, only 1.5 percent higher than the same quarter last year. Total value of imports is projected at $20.34 billion, up 2.2 percent. Among the export goods, electronics and electric machinery have the biggest growth rate at 9.98 percent, followed by chemical and plastics at 5.32 percent, and vehicles at 4.12 percent. (Taipei CHING-CHI JIH-PAO 25 May p 2)

Market Share of Imported Light Industry Products Exceeds 50 Percent

According to the Council for Economic Planning and Development, the share of the imported light industry products exceeded 50 percent for the first time last year. The council said this indicated that domestically-made light industry products are not only losing out in international markets to those made by PRC and Southeast Asian companies, but also in the Taiwan domestic market. In 1985, the share of imported light industry products was only 10.72 percent. (Taipei CHING-CHI JIH-PAO 29 May p 1)

Government To Increase Incentives for Selected Overseas Investments

Foreign Minister Frederick Chien said on 30 May that to encourage private firms to help the nation enhance its relations with foreign countries, the government has decided to expand the

range of investment subsidies and relax loan requirements if companies invest in any of the 29 countries that have diplomatic relations with Taiwan. (Taipei CHING-CHI JIH-PAO 31 May p 1)

State Enterprises May Register Patent Rights in PRC

The Mainland Affairs Council on 30 May decided to lift controls on trademark and patent rights registrations in the PRC. Except for inventions and innovative products that affect national security, state-owned institutions will be allowed to indirectly register their trademarks and patent rights in the PRC. (Taipei CHING-CHI JIH-PAO 31 May p 1)

Economic Growth Expected To Fall Short of 1994 Target

Because of sluggish exports, the Taiwan economy grew by an annual rate of 5.46 percent during the first quarter of 1994, nearly half a percentage point lower than projected. According to preliminary estimates, the economy will grow 5.94 percent for the whole of 1994 and, for the third consecutive year, will fall short of the target set in the national development program. The Directorate General of Budget, Accounting, and Statistics attributed the poor performance to a sharp decline in the merchandise trade surplus, which stands at $240 million, as well as lower income from interest on foreign exchange. The merchandise and service trade accounts posted a combined deficit of $560 million. The directorate general, however, predicted an export upturn in the second quarter, as the world economy shows increasingly clear signs of recovery. It also forecast that this year's exports will top $89.6 billion, up 5.55 percent over last year, while imports will reach $82.7 billion, up 7.27 percent, to produce a trade surplus of $6.9 billion, or a 12 percent decline. The per capita GNP in 1994 will be $11,236 and the economy will grow 6.19 percent and 6.22 percent, respectively, in the first and second quarters of next year. (Taipei CHING-CHI JIH-PAO 21 May 94 p 1)

NORTH KOREA

Government Official Discusses Plans To Boost Foreign Trade

At the Seventh Session of the Ninth Supreme People's Assembly in April, Yi Song-tae, chairman of the State External Economic Affairs Commission, stated that the DPRK plans to put a priority on expanding export markets and maintaining its "credibility" in an effort to develop foreign trade. Yi also discussed North Korea's strategies to diversify and increase the volume of export products, primarily clothing, metals, and processed goods.

According to Yi, the DPRK will concentrate on making Southeast Asia, the Middle East, and the Near East its principal markets. It also plans to increase trade with capitalist countries, such as the European Union countries, and to actively pursue trade with the Central and South American countries. Concurrently, the DPRK will continue to develop trade with China, the CIS, and Eastern European countries.

The DPRK, in particular, will focus on the clothing processing sector, Yi noted. The government will establish clothing processing bases throughout the country, modernize the existing factories, and "massively" increase production by using its labor force more effectively, according to Yi. In addition, the government plans to export more items that have "strategic meaning," such as nonferrous metals, iron and steel, cement, and magnesia clinker. At the same time, it will set up additional secondary and tertiary processing bases and process raw materials either into semi-processed goods or finished products for export, Yi said.

Yi promised that the DPRK will enforce regulations on contract terms. He added that the government will formulate stringent import rules requiring guaranteed collaterals to insure that payments will be made on schedule. Overall, the government will strengthen trade regulations, unify prices and trade activities, and ensure that all companies strictly comply with regulations, Yi asserted. (Pyongyang MINJU CHOSON 7 April 94 p 3)

SOUTH KOREA

FEATURE: Coal Companies, Conglomerates Eye Korea Gas Privatization

The Korea Coal Association has established a consortium to participate in the planned privatization of Korea Gas, according to recent Seoul press reports. In addition, the association has adopted a recommendation requesting the government's "cooperation" in allowing coal firms to acquire Korea Gas. Meanwhile, large ROK conglomerates are gearing up to compete for the company. Several sources noted that the coal industry will have little chance of success if it has to compete with the conglomerates.

According to the 19 April TONGA ILBO, the Korea Coal Association has established a consortium that will participate in the privatization of Korea Gas. The ROK Government will reportedly begin drawing up plans for the privatization that will take place in May 1995. The

consortium is made up of 10 businesses: Dongwon, Samtan, Kyongdong, Hanbo Energy, Kangwon Industries, Chonwon Industries, Samchully, Taesong Enterprises, Sampo Energy, and Wonjin. Plans are for over 100 small and medium-sized coal companies to become involved in the consortium. TONGA ILBO reported that currently the two largest investors in Korea Gas are the ROK Government (50 percent) and Korea Electric Power Company (34.7 percent). The 19 April HANGUK KYONGJE SINMUN stated that other investors include Seoul City (7.6 percent), Kyonggi Province (1.9 percent), Inchon City (1.2 percent), and other regional governmental bodies. The paper noted that Korea Gas has paid-in capital of 177.4 billion won ($221.75 million).

TONGA ILBO also said that conglomerates with coal or oil subsidiaries are interested in the privatization of Korea Gas. Currently Hyundai (Hyundai Oil Refinery), Lucky-Goldstar (Honam Oil Refinery), Sunkyong (Yukong), and Daerim Group are competing for the gas company. The oil companies want to see firms with the technology and capital to develop the gas company acquire it and "protect consumers." Coal companies oppose the acquisition of the gas company by the conglomerates out of fear that the conglomerates will have an "energy monopoly" and further concentrate their economic power.

TONGA ILBO commented that the conglomerates and coal companies are "drooling over" the gas company because last year it earned over 120 billion won ($150 million) in after-tax profits on sales of about 900 billion won ($1.125 billion). In addition, demand for liquefied natural gas (LNG) is expected to increase rapidly in the future. According to the 30 April HANGUK KYONGJE SINMUN, business conglomerates began forming acquisition teams early on, after they realized how good the gas company's prospects were.

According to the 19 April HANGUK KYONGJE SINMUN, the coal companies' efforts toward acquiring Korea Gas are related to "self-preservation." The daily noted that the rapid drop in the demand for coal has created a "ruinous crisis" for coal companies. In the last five years, anthracite consumption has dropped 62.4 percent, while the use of city gas has grown 900 percent. In 1986, there were 361 coal mines, and now there are about 40. The coal industry emphasizes that it is "morally justified" in participating in the LNG business, because the drop in coal consumption is due to the growth in gas consumption.

In addition, the coal industry maintains that the government is "responsible to a certain degree" for the crisis now facing the industry, HANGUK KYONGJE SINMUN reported. First, coal producers have been unable to sell coal for its actual value. According to the paper, from 1951 through 1993, ROK coal companies produced 530 million tons worth an estimated 114.4 trillion won ($143 billion) at today's prices. However, because of the government's price stability policy for coal, the coal only sold for 38 trillion won ($47.5 billion). According to the coal industry's analysis, it "sacrificed"--for the sake of the national economy--two-thirds of the value of the coal it produced. Secondly, the coal industry argues that the government's "coal industry law" has restricted coal companies from investing in other business sectors. Even during the Fifth Republic, coal companies could not strengthen themselves through diversification or conversions and prepare for the decline of their industry. The Korea Coal Association has adopted a recommendation stating that the government "must" cooperate and allow the coal companies to acquire Korea Gas. The coal industry has no prospects of winning a competition with large conglomerates, HANGUK KYONGJE SINMUN observed. Thus, the industry has asked the government to take these difficulties into account and to offer them a "private contract" for the government's share of Korea Gas.

In the same vein, the 30 April HANGUK KYONGJE SINMUN noted that it will be "truly difficult" for the coal association to acquire any of Korea Gas if it is privatized through general

public sales. The paper reported that some sectors of society are criticizing the government's shift from the original principle of promoting managerial efficiency through privatization to promoting the profit motive. This shift has resulted in large enterprises competing to promote themselves. Some people are calling on the government to reconsider the existing method of privatization. According to HANGUK KYONGJE SINMUN, the government must consider whether the criticism being aired is reasonable and look into ways to encourage small and medium businesses (SMB's) to participate in the privatization process.

According to the 23 April TONGA ILBO, the government is actively considering plans to have SMB's participate in the privatization of public enterprises. A MOTIE official commented that SMB participation would be desirable in that it would prevent large enterprises from monopolizing the newly privatized public enterprises and further concentrating their economic power. The paper reported that the government is considering targeting public enterprises in sectors where SMB participation is possible, such as public enterprises that have smaller economies of scale, are suited to small-scale production of a variety of products, and can utilize regional resources. For its part, the Small and Medium Business Research Institute would like SMB's to be able to participate in the privatization of the Korea Highway Corporation, the Korea Telephone Directory Co., the Agriculture and Fishery Marketing Corporation, the Citizens National Bank, and the Korea Tobacco and Ginseng Corporation.

FEATURE: 'Non-Official' Groups Plan New Corporate State Relationship

South Korea's Ministry of Trade, Industry, and Energy has formed two groups to develop "countermeasures" and proactive policies in advance of international agreements on environment, trade, and technology that the government believes will have an impact on business practices. According to Seoul newspaper reports, these "non-official" organizations are staffed by ROK government officials and representatives of quasi-official institutions. One report suggested that this "indirect" style of leadership may result in even more government involvement in support of private industry.

The ROK Government in close cooperation with industry and business organizations is preparing measures designed to reduce the impact on South Korea's economy of the Uruguay Round (UR) and similar international agreements that are expected to follow, according to recent Seoul press reports. For example, on 19 April, the Ministry of Trade, Industry, and Energy (MOTIE) established a "Non-Official Committee for Developing Advanced Technology" headed by a Korea Institute of Science and Technology (KIST) professor in anticipation of the more stringent technology controls that advanced countries may place on technology as a result of the establishment of the World Trade Organization and the Technology Round, the 20 April MAEIL KYONGJE SINMUN said. The committee reportedly "is to provide information which companies need to map long-term business strategies and increase the effectiveness of their investments." The newspaper noted that the "non-official" group's 28 members include officials from the Economic Planning Board, MOTIE, the Ministry of Science and Technology (MOST), "and other government agencies," as well as representatives from business, academia, research institutes, and economic organizations.

According to MAEIL KYONGJE SINMUN, at its first meeting, the committee set up a "comprehensive strategy" to develop nine technology fields--microelectronics, semiconductors, mechatronics, automobiles, aircraft, fiber optics, new materials, biotechnology, and "life

industries." By the end of the year, the committee will have chosen particular technologies to be developed jointly by government and business between 1995 and 2006. The newspaper stated that "as a result of the UR agreement, changes in the way the ROK Government supports business will be required, causing a shift in the government's role to an indirect style of support by function." The committee therefore "will also propose plans to strengthen government's leadership function vis-a-vis the private sector," including a "plan to reshape the government support structure in a more effective direction."

In a related move, the 22 April MAEIL KYONGJE SINMUN reported that the government formed a "Green Round Industrial Countermeasures Group" within MOTIE--another "non-official coalition" whose purpose is to "study South Korea's status with respect to issues discussed by the World Trade Organization's committees on trade and the environment" and to devise countermeasures by the end of June. According to the newspaper, the group is headed by MOTIE's Industrial Policy Bureau chief, and has representatives from nine government-affiliated or quasi-independent organizations, including the Industrial Advancement Administration, the Federation of Korean Industries, the Korea Employers Federation, the Korea Chamber of Commerce and Industry, the Korea Traders Association, the Korea Trade Promotion Corporation, the Korea Institute for Economics and Trade, the Energy Economics Research Institute, and the Manufacturing Technology Research Institute.

This group reportedly will focus on four areas: trade-related measures, measures related to the environment, procedures for solving disputes, and removal of trade restrictions. These areas were distilled from what MOTIE believes will be the six topics discussed in the early stages of the Green Round: (1) trade measures, such as import and export restrictions, enacted for environmental purposes, (2) environmental measures and policies, (3) transparency in trade and environment-related measures, (4) procedures for solving disputes on environmental issues with the World Trade Organization and other parties, (5) market access and elimination of trade restrictions, and (6) exporting products that are banned domestically.

The 19 April MAEIL KYONGJE SINMUN suggested that this "non-official" group may act as an instrument of government industrial "leadership" and as a conduit that gives firms input to government policy. The newspaper named three economic organizations, all members of the government's Industrial Countermeasures Group, as involved in "working out plans for joint action and studying strategies of operation" in anticipation of the commercial issues that will be brought up by the World Trade Organization.

For example, the Federation of Korean Industries reportedly will host a three-day seminar to acquaint "top planning, production, and marketing executives" with the links between trade and environment expected to come out of the Green Round. Issues to be raised at the seminar include environmental regulations of advanced countries, new financial strategies, "green management" and "green" marketing and production, MAEIL KYONGJE SINMUN reported. The Korea Employers Federation, for its part, has set up a "Headquarters for Environmental Operations Measures," and will also inaugurate a "Blue Round Countermeasures Special Committee" composed of labor leaders from the 30 largest South Korean conglomerates. The committee reportedly will work out joint steps to deal with international labor standards and practices, particularly those of the United States. Finally, MAEIL KYONGJE SINMUN reported that the Korea Traders Association will submit a list of policy recommendations to the government based on its own survey of the Green and Blue Rounds' likely effects.

FEATURE: Hyundai Developing Rocket With Russian Technology

Hyundai Group is downgrading the status of its venture with the Russian company Yakovlev and will concentrate its aerospace resources in a new subsidiary, Hyundai Technology Development Corporation, according to a Seoul newspaper. Besides aircraft, the company will also develop a rocket large enough to orbit satellites.

According to the 9 May MAEIL KYONGJE SINMUN, South Korea's Hyundai Group has decided that its joint venture with the Russian aerospace firm Yakovlev, formed last November, will make it "difficult" for Hyundai to invest "full-scale" in the aviation industry. Hyundai, therefore, will use the joint venture firm for sales only, while its new subsidiary, the Hyundai Technology Development Corporation, will serve as the group's designated aircraft manufacturer. The latter is slated to take charge of the production of all rotary and fixed-wing aircraft, including assembly production of helicopters through a technology agreement with Japan's Kawasaki Heavy Industries and Hyundai's own effort to build mid-size aircraft. "In the long term," MAEIL KYONGJE SINMUN reported, the subsidiary will also be involved in aerospace development that will include the development of a "launch vehicle for earth satellites."

MAEIL KYONGJE SINMUN noted that Hyundai Technology Development was set up last February as a fully owned subsidiary of Hyundai Precision and Industry, with paid-up capital of 1.5 billion won ($1.875 million). The corporation reportedly has 180 employees, 120 of whom are technical and research personnel. A 27 April YONHAP dispatch added that Hyundai Technology Development Corp. owns 51 percent of the joint venture Hyundai-Yak Aerospace Co. and Yakovlev the remainder.

According to the 5 November 1993 MAEIL KYONGJE SINMUN, the original agreement required Yakovlev to supply technology for aircraft design, development, and manufacturing, while Hyundai built the plant, paid "development" costs, and managed the operation. The 5 November 1993 CHUNGANG ILBO reported that the South Korean Ministry of Trade, Industry, and Energy was willing to allow the venture despite the complications another mid-size aircraft entrant would add to a crowded domestic field [see *Pacific Rim Economic Review* Vol 2 No 24, 1 Dec 93 pp 29-30] and contrary to its own industrial specialization policy.

FEATURE: Samsung Introduces Third-Generation Electric Car

Samsung has built a new electric car prototype which offers improved performance and many of the comforts available in standard automobiles, according to South Korean press reports. The vehicle uses conventional storage batteries with an advanced motor and other innovations. Within the next few years, several ROK manufacturers reportedly will offer practical electric cars based on high-tech batteries that have more power, greater range, and reduced charging time.

Samsung Heavy Industries recently unveiled the third in its series of increasingly sophisticated electric cars--the SEV III--built by the company since June 1993, the 17 May MAEIL KYONGJE SINMUN reported. The newest version is a three-door hatchback with an aluminum frame and reinforced plastic body that uses regular storage batteries for a power source. Its

maximum output of 90 kw, equivalent to a 120 hp gasoline engine, was achieved by making "major improvements" in the motor and controller, the newspaper stated.

The car uses a direct drive motor with no transmission, and is able to "absorb" the surplus energy created during braking. Unlike most other electric vehicles, Samsung's car comes "fully loaded" with power steering and brakes, power windows, heater, and air conditioner. The batteries are stored under the seats and in other unused areas to make space for a full complement of passengers. Performance and specifications were reported as follows.

Top speed	130 kph
Range	180 km
Climbing ability	20 degrees
Capacity	4 people
Gross Weight	1,450 kg
Length	3.95 meters
Width	1.604 meters
Height	1.385 meters

By the end of the year, Samsung, "using its own technology," will have developed high-efficiency nickel-lead and "nickel-metal-hydrogen" batteries that will extend the car's range to 400 km, according to MAEIL KYONGJE SINMUN. A lithium battery-powered car is planned for the year 2000.

Samsung's electric car benefited from research which its subsidiary Samsung Electronics conducted as part of the government-backed HAN (Highly Advanced National) projects, according to the 1 June CHUGAN MAEGYONG. The ROK Government reportedly will spend 900 billion won ($1.125 billion) to develop low-pollution vehicles, including electric cars, by 2001.

CHUGAN MAEGYONG stated that of all Korean manufacturers, Hyundai is the most advanced in electric cars. The company has jointly developed with the U.S. firm Ovonics a high-tech nickel-metal-hydrogen battery-powered car with a top speed of 130 kph, a range of 240 km, that can be recharged in three hours. By 1996, Hyundai expects to produce an electric car that takes only 15 minutes to recharge, with a range of 350 km and a top speed of 160 kph.

CHUGAN MAEGYONG went on to report that Kia Motors exhibited electric vehicles at the Asian Games in 1986, at the Seoul Olympics in 1988, and again last year at the Taejon Expo. Daewoo, another of South Korea's "big three" automakers, began developing an electric vehicle in February 1993 based on a van body and a 12 V 50 amp hr enclosed storage battery built by a German company, with a top speed of 141 kph and a range of 159 km. The company plans to introduce a marketable car in 1997 developed jointly with Korea Delco Battery.

Iljin Advertisement Touts Group's Technological 'Achievements'

The following is a translation of a full-page color advertisement that appeared on the back cover of the 11 May MAEIL KYONGJE SINMUN, the ROK's leading business newspaper.

[A large illustration at the top of the page portrays the word "Iljin" in steel block letters breaking through a stone wall engraved with the abbreviations NAFTA, GR, UR, TR, and EC.]

Overcoming the world's barriers through technology.

Technological Iljin, technological Korea.

A company which every year boldly invests in R&D at more than three times the rate of larger companies.

A company more than 90 percent of whose 400-plus products were developed with our technology and our personnel alone, including products which we were the first in South Korea to indigenize through our own technology teams, such as PCB electrolytic copper plating and industrial composite diamonds, for which South Korea had been entirely dependent on foreign countries' advanced technology.

[bold] Indigenizing state-of-the-art industries is Iljin's unchanging goal.

Our company Iljin, which is getting the world's attention for its very technology.

As a result of our efforts at developing new technology in various fields, Iljin has recently been experiencing astonishing growth in the most advanced areas as well, such as new materials, state-of-the-art data communications, and mechatronics, and is moving on with determination to make the dream of a technological Korea come true.

ROK Government To Subsidize Engineering Technology

Between 1995 and 2005, the ROK Government will invest 481 billion won ($601 million) in six "strategic" areas to help the country establish an independent base in engineering technology. The government also intends to establish engineering research centers. The program, based on a Korea Advanced Institute of Science and Technology study titled "An Evaluation of the Level of Engineering Technology and a Plan To Strengthen Technological Competitiveness," will go into effect in the first half of 1995. The six areas are: (1) core processes and construction engineering technology, (2) basic plant design technology, (3) advanced production design, (4) computer integrated design and technical information systems, (5) technology for computer integrated projects, and (6) technology for plant packaging. The Ministry of Science and Technology has organized an "Engineering Industry Policy Council" to coordinate engineering technology development between different agencies of government with responsibilities in the above areas. As the ROK's engineering technology grows, the government hopes to expand the country's share of related technology and services from 1.1 percent of the world market ($600 million) to 8 percent ($7 billion). (Seoul MAEIL KYONGJE SINMUN 9 May 94 p 14)

Daewoo Producing High-Tech Carbon Material for Aerospace

Daewoo Heavy Industries has begun mass producing a high heat-resistant carbon composite material which it developed in cooperation with the National Defense and Science Institute. This state-of-the-art material, the technology for which is strictly controlled by existing producers in the United States, England, and France, has applications in such items as aircraft brakes and nozzles for rockets. Daewoo invested 8 billion won ($10 million) in research and development on the project. (Seoul MAEIL KYONGJE SINMUN 27 April 94 p 8)

Brazing Furnace, Other 'Dual-Use' Products Indigenized

A continuous brazing furnace, so advanced that it has still not seen widespread use internationally, was "indigenized" by the South Korean firm Jinwon Machinery with support from the Korea Electric Power Corporation (KEPCO). The project was part of a program

funded by KEPCO to indigenize "electrical equipment" through a consortium of 13 companies that include Jinwon, Han-il Level Co., Iljin Electric and Machinery, and four private research labs. Other new high-tech products developed through the program are the ROK's first standard system for controlling gas flow and a super-high voltage circuit breaker. (Seoul MAEIL KYONGJE SINMUN 9 May 94 p 10)

ROK To Increase LNG Carrier Fleet to 10 Vessels by 2006

Korea Gas estimates domestic demand for liquified natural gas (LNG) will reach 4.72 million tons in 1994, 7.4 million tons in 1996, 8.28 million tons in 1998, 9.57 million tons in 2000, and 104 million tons in 2006. As the demand for LNG grows, South Korea will invest in the construction of its own flag LNG carriers in order to decrease its dependence on foreign LNG carriers and cut down on foreign exchange expenditures. Korea Gas plans to expand its number of ROK LNG carriers to three in 1995, four in 1996, five in 1998, six in 2000, and 10 by 2006. In contrast, the company will reduce its use of foreign carriers from three to two in 1995.

On 12 April, Hyundai Merchant Marine Company contracted with Indonesia to transport 1 million tons of LNG annually. In June, the company will begin using ROK-flagged LNG carriers to transport LNG to South Korea. Beginning next year, Yukong Shipping and Hyundai Merchant Marine will begin transporting LNG from Malaysia. In 1996, Hanjin will begin bringing in supplies from Indonesia. Korea Gas is in the process of arranging LNG shipments from Qatar beginning in 1998 and plans to order four LNG carriers by the end of this year or in the first half of 1995. (Seoul HANGUK KYONGJE SINMUN 24 Apr 94 p 8)

Halla Group, U.S. Firm To Build LNG Base in South Cholla

Halla Group is cooperating with the U.S. firm Enron on plans to build a liquefied natural gas (LNG) base and an adjacent 900,000-kw thermal power plant in Masan-ri, Haenam County, South Cholla Province. The LNG base will cover an area of about 300,000 pyong and have a processing capacity of 2 million tons annually. Between now and 1999, Halla Group will build three LNG storage tanks (each with a capacity of 125,000 square meters) and a 70,000-DWT (dead weight ton) class berth. The LNG base will cover an area of about 300,000 pyong and have a processing capacity of 2 million tons annually. Of this, 1 million tons will be supplied as fuel to the power plant, while the remaining 1 million tons will be supplied as city gas to the Honam region. The adjacent thermal power plant will be equipped with four 150,000-kw gas turbines and will sell its electricity to the Korea Electric Power Company. As soon as Halla and the U.S. firm conclude their construction plans, they will submit a letter of intent to South Cholla Province. (Seoul HANGUK KYONGJE SINMUN 23 Apr 94 p 10)

Patent Office To Promote Environmental Technologies

The Office of Patent Administration is setting up patent assistance measures to promote the development of environmental technologies. It will use its initial review system flexibly in order to handle reviews of environmental technology applications first, so that the technologies can be commercialized sooner. The patent office plans to work with the Ministry of Trade, Industry, and Energy to set up a technology development fund and a commercialization fund for superior patents. As the importance of environmental technologies has grown, the number of related patent and utility model applications for these technologies has increased--on average, by 27.3 percent annually since 1988. This compares to a 10-percent average annual increase in all patent and utility model applications during the same period.

Patent/Utility Model Applications for Environmental Technologies

Area	1988	1989	1990	1991	1992	1993	Average Annual Increase
Water pollution	94	140	158	212	276	371	31.6
Air pollution	109	23	158	146	216	286	21.3
Waste management	13	31	52	86	94	154	64.0
Noise/vibration	1	73	50	65	73	82	10.0
Total	267	367	418	509	659	893	27.3

(Seoul HANGUK KYONGJE SINMUN 3 May 94 p 13)

Patent Office To Set up New Offices Promoting Inventions, Patents

Next January the Office of Patent Administration will set up the Invention Promotion Association, which will take over the responsibilities of the existing Korea Invention and Patent Association. The new association will be a "special non-profit corporation" and have the lead in promoting new inventions. The patent office also intends to set up three organizations subordinate to the new association. The Patent Technology Commercialization Center (a "patent real estate office") will be set up next January to handle the transfer or sale of patent rights, royalty fees, etc. The Industrial Technology Information Center will be set up in January 1996 to handle and supply patent information. That same month the Intellectual Property Rights Research Institute will be set up to develop plans to respond to developed nations' "aggression" on the intellectual property rights front. By 1997 the new Invention Promotion Association, its three subordinate organizations, and other related organizations--such as the Korea Patent Attorney Association--will be housed under one roof. (Seoul MAEIL KYONGJE SINMUN 3 May 94 p 19)

Taerim Receives Order for Gas Processing Facilities From India

Taerim Engineering has received an order from India's state-run ONGC Company to build natural gas processing facilities worth $72 million using the turnkey method. This is reportedly an expansion project to build facilities to refine 20-41 million cubic meters of natural gas daily. (Seoul MAEIL KYONGJE SINMUN 3 Jun 94 p 10)

POSCO Takes Over Japanese Steel Materials Plant

For the first time, an ROK steel company, Pohang Iron and Steel Corporation (POSCO), has been selected in an auction to take over a Japanese plant, the Wakamatsu Plant of Fukuoka Steel Materials Industry Co in Kyushu, which went bankrupt in March. The takeover bid amounts to 1.156 billion yen ($10.86 million). The annual production capacity of the plant is 13,000 metric tons. POSCO will complete payment by August and will then engage in steel materials processing. (Seoul MAEIL KYONGJE SINMUN 28 May 94 p 8)

Hyundai Begins Pipeline Project in Vietnam

Hyundai Heavy Industry Company has won a $55-million project to lay pipelines on the ground and in the sea in Vietnam. Hyundai has begun laying a 107 km-long pipeline between the natural gas exploratory platform in the White Tiger offshore oil field and will link this line

with a 17-km long ground pipeline to the Ba Ria combined thermoelectric power plant. (Seoul MAEIL KYONGJE SINMUN 28 May 94 p 8)

Development Bank Offers Loan to China To Build Thermal Power Plant

The Korea Development Bank (KDB) announced on 27 May that it will offer a $9.5 million loan for the Chinese Government's construction of a thermoelectric power plant in Jiangsu Province as part of a total $470 million loan package to be offered to China. The other loan providers will be the International Bank for Reconstruction and Development (IBRD), the J.P. Morgan Bank of the United States, the Dresner Bank of Germany, and the Tokyo Bank of Japan. One bank official stated: "This is the first time a ROK financing institution will provide a loan for a project the central government of China is pushing ahead." The term of the loan from KDB will be 15 years, including a five-year grace period. Repayment of the principal after 10 years will be guaranteed by IBRD. KDB will officially conclude a loan contract with the Chinese Government in Beijing on 29 May. (Seoul TONGA ILBO 28 May 94 p 11)

Gold Star Electric Cable Exports Combines to China

At the end of 1992, Gold Star Electric Cable Company's heavy industry department concluded a technology tranfer contract for the production of farm implements with Siping Combine-Harvesters Plant in Jilin Province, China. Under the contract, Gold Star recently exported 50 units of combine-harvesters worth about $500,000 to the plant. This was the first shipment of a total volume of products worth $30 million that will be exported to China. In addition, Gold Star will be paid $650,000 for the technology transfer. (Seoul MAEIL KYONGJE SINMUN 2 Jun 94 p 10)

Samsung To Participate in Russian Telecommunications Projects

Samsung Electronics will participate in four major Russian telecommunications projects, including installation and management of a local telephone network in Moscow, construction of a long-range telecommunications network covering 50,000 km, modernization of a local network, and development of a satellite communications network in northern areas. Samsung will have to invest at least $500 million, which will make it the largest ROK investment in Russia. (Seoul MAEIL KYONGJE SINMUN 3 Jun 94 p 9)

SOUTHEAST ASIA

INDONESIA

Coal Production Figures, Volume of Deposits Reported

The president of the state-run coal company P.T. Bukit Asam recently stated that Indonesia has 36 billion tons in coal deposits, which would be sufficient to meet domestics needs for the next 300 years if consumption is controlled. On the other hand, Indonesia is increasingly looking at coal as an export earner. Production has surged from 8.7 million tons in 1989 to 28 million tons currently. Output is expected to reach 71 million tons in 1999, of which 31.7 million will be earmarked for domestic use. (Jakarta KOMPAS 10 May 94 p 5)

MALAYSIA

Leader Universal Holdings Begins PRC Joint Venture

Malaysia's Leader Universal Holdings, whose subsidiaries engage mainly in production of telecommunications, power, and household cables, recently hosted a ground-breaking ceremony for its joint venture plant with the PRC's Huanan Communications Co. in the Shantou Special Economic Zone. Called Xunda Electric Cable Co., the joint firm will produce communications cables of various types with an initial investment of $30 million, supported by the latest U.S. and European equipment. Production is scheduled to begin in early 1995 with an annual output of 700,000 to 1 million kilometers of cable. Leader, with factories in Malaysia's northwest, Singapore, and the Philippines, controls 70 percent of Xunda's stock through its Hong Kong-based company. (Petaling Jaya SIN CHEW JIT POH 7 May 94 p 3)

Bank Consortium To Fund $1.2-Billion Sarawak LNG Project

An international consortium of 37 banks, including 11 Japanese banks, signed an agreement on 2 June in Kuala Lumpur to finance a $1.187-billion liquified natural gas (LNG) plant expansion project in Sarawak, according to the 2 June NIKKEI KINYU SHIMBUN. The national project, which is being undertaken as a joint venture between Petronas, Malaysia's state-owned petroleum company, the Sarawak state government, Mitsubishi Corp., and Royal Dutch Shell, will make the Sarawak complex the largest LNG facility in Asia. The target date for its completion is May 1996. The 3 June NIHON KEIZAI SHIMBUN noted that the financing package is the "largest ever in Asia."

NIKKEI KINYU reported that the 11 Japanese banks, including the Industrial Bank of Japan (IBJ), the Bank of Tokyo, and Mitsubishi Bank, will finance 37 percent of the total loan package. The consortium selected six banks, headed by the IBJ and including the Bank of Tokyo, Mitsubishi Bank, Britain's Barclays Bank, and the American J.P. Morgan Bank, to be the "lead arrangers." The nine-year financing package will be in two parts, an initial $410-million installment and a second $777-million installment.

Electricity Corporation Awards Contract to PRC Group

The National Electricity Corporation has awarded a $37.5-million turnkey contract to the PRC's Xian Electric Group to supply and install 27-kilovolt (kv) gas-insulated switchgear (GIS) at two substations in Kuala Lumpur. This is the third such contract awarded to the Chinese company. The contract covers the design, manufacture, erection, and commissioning of more than 20 bays of the 275-kv GIS, six sets of 275/132-kv and 240 megavolt ampere transformers, ancillary equipment, and civil works for the Pudu Ulu and Galloway Road substations. The substations are scheduled to be operational in March 1996. (Kuala Lumpur NEW STRAITS TIMES 21 May 94 p 14)

PHILIPPINES

Manila To Get Telecommunications Tower

A Department of Transportation and Communications official recently stated that the government plans to have a $250-million telecommunications tower built in Manila. The 1,432-foot building, to be constructed under a build-operate-transfer scheme and scheduled for completion in 1998, will house television braodcast antennas, equipment for long-distance and cellular telephones, and airport radars. The government has already received proposals from two companies--Australia's International Finance and Marketing Consultants, which has begun a feasibility study, and Japan's Mitsui & Co. (BALITA 6 May 94 p 2)

THAILAND

Japanese Firm Wins Natural Gas Separator Construction Contract

Toyo Engineering, one of Japan's largest plant engineering firms, has been unofficially awarded a 2.4-billion baht ($96-million) contract by the Petroleum Authority of Thailand, the state-owned oil company, to build a natural gas separator plant in central Thailand. The plant, which will have a daily processing capacity of 350 million cubic feet, will be built in the Map Ta Phut District of Rayong Province. Construction will begin later this year, after the contract is formally approved by the Thai Cabinet in June. The plant is scheduled to be completed in 1996.

The Petroleum Authority of Thailand already has two separator plants in Map Ta Phut District, but is building a third because of Thailand's rapidly increasing demand for energy. (Tokyo NIHON KEIZAI SHIMBUN 1 Jun 94 p 13)

ROK, Japanese Firms To Build Steel Plant in Thailand

The South Korean Pohang Iron and Steel Corporation (POSCO), New Japan Steel, and Mitsui Products Company have agreed to participate in a project to produce grater in Thailand. A total of 60 billion yen ($564 million) will be used to build the ROK-Japan joint steel plant. Upon completion in in 1997, the plant will be able to produce 800,000 to 1 million metric tons of grater annually. (Seoul SEOUL SINMUN 5 Jun 94 p 6)

Japanese Firm Approved for Vehicle-Part Production

The Board of Investment has approved Marujun Seiki Industry's proposal to establish a $4-million vehicle-part venture in Saha Rattananakhon Industrial Estate. The project is expected to be completed in June. According to Senior Managing Director Takashi Iwata, the Japanese company will own 60 percent of the venture, while Thai car firms, which cannot be named at this time, will own the remainder. (Bangkok BANGKOK POST 4 Jun 94 p 15)

VIETNAM

FEATURE: Investors Conferences, Foreign Investment Policies Reported

> ***The State Commission for Cooperation and Investment (SCCI) recently organized two conferences for Vietnamese investors to review and discuss foreign investment and cooperation efforts in the last six years. A similar conference for foreign investors will be held in the near future. According to SRV press sources, the government will issue a series of "major policies" regarding foreign investment.***

The 27 April Ho Chi Minh City THOI BAO KINH TE SAIGON reported that the SCCI held two conferences in April for Vietnamese investors to review foreign investment in the last six years and identify problems that both the state and the investors need to solve "urgently." The first conference was held on 8-9 April in Vinh City for the northern region, and the second on 12-13 April in Bien Hoa City for the southern region. At the Vinh City conference, participants agreed to form a "Vietnamese Investors Club" where members could meet, exchange information, and help one another with business matters.

THOI BAO KINH TE SAIGON observed that in order for Vietnam to attract $12-13 billion in investment until the year 2000, as called for by the national economic development strategy, changes must be made to improve the country's legal system, simplify administrative procedures, provide training for Vietnamese state and enterprise managers, and take care of problems relating to land use, labor, wages, and taxation. According to the magazine, the SRV Government will issue a series of "major policies" to resolve "persistent problems" in foreign investment which have created "difficulties for all three participants: foreign investors, Vietnamese investors, and government agencies." The new policies will reportedly consist of the following:

1. A comprehensive plan on investment in Vietnam for domestic investors and investors who have foreign partners. The plan will specify priorities granted to various commercial and industrial sectors or national regions.

2. An industrial/technological policy that sets guidelines and standards for machinery and equipment imports for joint enterprises, in order to avoid importing equipment that is too old, obsolete, overpriced, or unsuited to current conditions in the country.

3. A real estate property policy based on the premise that foreign investors will not have to pay taxes on any land that they lease. The Vietnamese investment partners will be responsible for compensating the previous occupants of the land and clearing the sites, while any funds expended by foreigners for site clearance will be considered part of their capital investment.

4. Policies on income tax, labor, salaries, technology transfer, and environmental protection will be formulated with a view to creating the best possible conditions for investors while fully "respecting the rights" of Vietnam.

The SCCI will coordinate with all ministries and agencies to simplify and speed up the issuance of investment licenses, according to THOI BAO KINH TE SAIGON. In addition, the license approval process will be codified, with specific guidance given for each industrial and commercial sector, so that any investor who submits the required paperwork will obtain a license without undue delays.

THOI BAO KINH TE SAIGON stated that in the near future, the SCCI will organize a conference with major foreign investors to solicit comments, collect data, and prepare a program to "completely overhaul" Vietnam's investment structure in order to attract, increase, and speed up foreign investment in Vietnam in the years ahead. This needs to be done to avert the threat of "economic backwardness," the magazine concluded.

Premier Issues Directive To Raise Revenues, Balance Budget

On 4 April, Prime Minister Vo Van Kiet issued Directive No 154/TTg tasking all cadres of concerned agencies to tackle "immediately" a number of urgent problems. The directive is aimed at the "extremely critical problem of balancing the budget" at a time when too little revenue is being raised from the national economy, businesses suffer a "severe" lack of capital, and "waste, bribery, corruption, and smuggling" are rampant.

Under the directive, the Finance Ministry and the General Department of Customs must closely supervise the collection of all taxes and duties on production-oriented businesses, particularly those dealing with beer, alcoholic beverages, tobacco, cement, petroleum products, iron, and steel.

The Finance Ministry will immediately begin supervising the collection of revenues from land use fees, permits, and real estate transfers and sales involving state property. The ministry will work with other ministries and provincial agencies to compile a report to the government on savings account deposits nationwide, with recommendations for managing these funds. Together with the State Bank, the ministry will also immediately organize a treasury bond market and explore other means of raising funds. (Ho Chi Minh City SAIGON GIAI PHONG 9 April 94 p 1)

Thanh Hoa, Taiwanese Companies Form Joint Venture

The Vietnam Sugarcane Company, under the Ministry of Agriculture and Food Industry, and four Taiwanese companies--including Tai Tung and Fu Mei--have formed a joint venture to build a sugar plant in Thanh Hoa, with a processing capacity of 6,000 metric tons of sugar cane a day. Investment capital in the venture amounts to $66 million, of which $26.4 million is prescribed capital, with the Taiwanese partners contributing 75 percent of the total. Upon completion, the plant will produce approximately 100,000 metric tons of sugar a year. (Ho Chi Minh City SAIGON GIAI PHONG 11 April 94 p 2)

Japanese Banks Trailing Others in Vietnam Investment

Foreign banks are beginning to establish branches elsewhere in Vietnam besides Hanoi and Ho Chi Minh City. For example, Malaysia's joint venture bank VID Paburik Bank, established

in 1992 with branches in the country's two main cities, became the first foreign bank to locate a branch in the central city of Da Nang. Indovina, a joint venture with Indonesia, will soon open its third branch in Haiphong. Other Asian and European banks are preparing to establish branches or offices in both Hanoi and Ho Chi Minh City. By contrast, Japanese banks have been more cautious, limiting their involvement to Ho Chi Minh City; they do not expect to be represented in both Hanoi and Ho Chi Minh City for another two or three years. (Tokyo NIKKEI KINKAKU SHIMBUN 20 May 94 p 2)

Mitsui Importing LPG, Ammonia to Vietnam

Mitsui & Co. and Thailand's Unique Gas will form a joint venture in July called U.G.P. to import liquified petroleum gas (LPG) and ammonia into Vietnam for local sale. Its $2-million initial capital is being shared 50-50. Plans are to buy the LPG and ammonia from Indonesia and store it in 2,000-ton high-pressure tanks at the Go Rau industrial zone outside Ho Chi Minh City. Initially most customers will be Vietnamese manufacturers of foodstuffs, fertilizer, and ceramics located in the industrial zone. Later sales will include domestic energy. This is the first 100-percent foreign investment allowed by the SRV Government in which a large Japanese company is participating. Since it "takes time" to arrange a joint venture with a domestic Vietnamese company, Mitsui decided to use foreign capital to speed up the operation. (Tokyo NIHON KEIZAI SHIMBUN 31 May 94 p 13)

Australian, U.S. Firms Plan Power Plant-Factory Complex

The Australian resource development company BHP and the United States' General Electric Co. plan to build an electric power station and fertilizer factory in Vietnam at a cost of $810 million. According to BHP, which is at the "center" of the project, a natural gas-fueled power generating station will be built in the Ba Ria-Vung Tau region 65 km southeast of Ho Chi Minh City and a fertilizer factory with an annual output of 600,000 tons will be built next to it. Although still in the blueprint stage, BHP would use the natural gas generated as a byproduct of its oil production at the Dai Hung offshore oil fields to fuel the plant as early as October. GE will supply the gas turbines. BHP is also considering building a petrochemical plant in Vietnam. (Tokyo NIHON KEIZAI SHIMBUN 3 Jun 94 p 12)

Joint Venture Firm Plans To Install 200,000 Telephone Circuits

The Bakrie Group, one of Indonesia's largest conglomerates, together with the U.S. Hughes Corp. and Dac Tho Viet, a state-owned commercial company, have signed an agreement to establish a joint venture company to install a telephone network with 200,000 circuits. Total investment in the project will be "about $700 million."

According to Aburizal Bakrie, president of the Bakrie Group and chairman of the Indonesian Chamber of Commerce and Industry, the investment ratios in the joint venture have not yet been decided, but it is planned that the Bakrie Group and Hughes will hold an 80-percent stake and the Vietnamese company the remainder. Given Vietnam's "infrastructural shortcomings," the new company hopes its investment plans will receive quick approval.

Indonesian private investment in Vietnam has increased recently as a result of the April 1994 visit to Indonesia by Vietnamese Foreign Minister Nguyen Manh Cam. Eleven Indonesian companies have signed agreements to invest a total of $160 million in projects involving Vietnam's petroleum sector, natural gas exploration, coal, hotels, timber processing, and others. The 11 projects have already received approval from the Vietnamese Government. (Tokyo NIKKEI SANGYO SHIMBUN 19 May 94 p 3)

Northern Telecom To Provide Telephone Equipment

Northern Telecom has signed a memorandum of understanding (MOU) with Vietnam's Department of Post and Telecommunications to supply switching equipment for a 1 million-line telephone project. Some 100,000 lines will be delivered this year. The contract, valued at $6.1 million, will involve supplying DMS-100 switching equipment to Haiphong. A second MOU for the manufacture of switches has been signed. In this instance, Northern Telecom will have to identify the yearly production quantity and the percentages earmarked for domestic and export markets. (Bangkok BANGKOK POST 27 May 94 p 21)

Export-Import Value Rises to $3.3 Billion

Vietnam's export-import value so far this year has reached $3.3 billion--with half of this amount coming from exports--an increase of 27 percent compared to the same period last year. The import value has increased by 32 percent. Most of the increase in exports has come from coffee, peanuts, rubber, processed marine products, textiles and garments. (Hanoi Voice of Vietnam 1000 GMT 31 May 94)

Authorities Withdraw 131 Investment Licenses

The State Committee for Cooperation and Investment has withdrawn the licenses for 131 projects, leaving 773 valued at $7 billion. In April alone, 100 more licenses capitalized at $1.2 billion were granted. This equals 40 percent of the total capital received in all of last year. (Hanoi Voice of Vietnam 1000 GMT 1 Jun 94)

Construction Boom Keeps Demand, Price of Cement High

Demand for cement has been on the rise since mid-1993 due to a construction boom in cities such as Hanoi, Ho Chi Minh City, and Haiphong. Prices have gone up between 10 and 45 percent. The Vietnamese Cement Corporation predicts that this year's demand will be about 6.5 million tons, 8 million tons in 1996, 10 to 12 million tons in 1997, and 20 million tons in the year 2000. Nguyen Van Thien, general director of the Vietnamese Cement Corporation, recently said that domestic producers are unable to meet the demand for cement. (Hanoi VNA 0610 GMT 5 Jun 94)

Hanoi Issues New Treasury Bills, Bonds

The Ministry of Finance recently announced it will issue six-month treasury bills at 1.7-percent monthly interest starting on 1 June. Treasury bonds with a two-year maturity period will also be offered beginning 20 June in 30 cities and provinces. Treasury bills, with a minimum value of $9.25 each, can be paid in either Vietnamese dong, gold, or U.S. dollars. Treasury bills are registered, while treasury bonds are not. They can be traded, transferred, or mortgaged, but they cannot be used to replace banknotes or for the payment of taxes. All income from treasury bills and bonds are tax exempted. (Hanoi Voice of Vietnam 1000 GMT 2 Jun 94)